

Common Ground : How Free Market and Environmental Groups can Work Together on Building and Planning

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Bridge Building Isn't Always Easy

- There are good reasons why my organization is often considered an enemy of the environmental movement.
- But honest free marketers and honest environmentalists are committed to ideas: neither is of the “left” or of the “right.”

An aerial photograph of a coastal region, showing a mix of land and water. The land is a mix of brown and green, indicating some development and some natural areas. The water is dark blue. A decorative blue header with a wavy pattern is at the top of the slide.

We've Done it Before: CBRA

- **The Coastal Barrier Resources Act brought free-market and environmental advocates together as never before. . .and, until now, since.**
- **It established a principle when it comes to certain coastlines, the government should never support development in sensitive areas.**
- **Catastrophe policy requires us to do it again.**

Three Principles for Coastal Building Codes

- *Risk-Based Rates Lead to Good Building Standards.*
- *The Government Shouldn't Subsidize Development in Disaster-Prone Areas.*
- *Coastal Wetlands (and other Natural Areas) Matter to Everyone.*



Risk Based Rates

- Insurance is not an arcane art.
- People should pay their own way.
- Building standards will follow in time.



Insurance is not an arcane art

- NAIC claims that insurance's kinked demand curve exempts it from the normal laws of economics.
- NAIC is wrong.
- All goods have kinked demand curves.



People Should Pay Their Own Way

- The government has no responsibility to encourage people to live in any particular type of area.
- There is no particular social benefit to people living in disaster prone areas—and there are significant costs.



Building Standards Will Follow

- If we could arrive at proper insurance prices immediately, we would not need building codes at all.
- Risk-based rates in coastal areas will lead to less development and more conservation. (They may not, however, always protect the areas considered “most important.”)
- Transaction costs and the existing housing stock do imply a role for building codes in the medium term.



The Government Shouldn't Subsidize Development in Disaster-Prone Areas

- Most development requires some help from the government.
- At most, rich, stupid people should be able to do what they want with their own land.
- ...But even they should have to pay costs.

Development Requires Government Help

- Government builds nearly all roads.
- It provides schools.
- It runs NFIP and a variety of insurance programs including Florida Citizens and FHCF.
- CBRA areas have little development and, insofar as is practical, we should try to reduce development in other sensitive coastal areas as well.

Only Rich, Stupid People Should Build



But Britney Should Have Some Rights (And Responsibilities.)

- Without subsidies only people who are both rich and stupid will be able to build in the most sensitive areas.
- And, at minimum, those who do develop should pay the full costs of developing.
- If obvious externalities exist *and* the transaction costs of bargaining are high—which they are—then standardized assessments for these externalities make sense.
- But these have to be based on actual social costs: not a desire for revenue.

Wetlands Matter.

- Wetlands absorb storm surge.
- They slow hurricanes.
- If you don't build it, it can't be destroyed.





Storm Surge

- Recent research has shown that there's no neat rule of thumb for wetlands absorbing storm surge.
- But it's clear that wetlands do absorb storm surge from most hurricanes.
- And for that reason alone, they're important.
- I'd personally like to see "like social utility" standards when we do lose wetlands.



They slow hurricanes

- Large areas of wetlands appear to reduce the size and power of hurricanes because they are warm.
- They are the best natural defense we have.
- Asphalt, it should be noted, does the same thing.
- Paving wetlands, however, would likely require significant subsidies.
- . . .and I'm against that.

If you don't build it, it won't be destroyed.

- Duh.
- But seriously, if we don't build in harms way, we don't have to worry about problems.
- And, in many cases, that's what the market suggests we do.



Final Thoughts

- In this case, we're in sync intellectually.
- We've worked together in Washington, D.C.
- And we can do so here in Florida.
- CEI has a Florida office and we're anxious to work with anyone. . .and everyone. . .who believes in these principles.